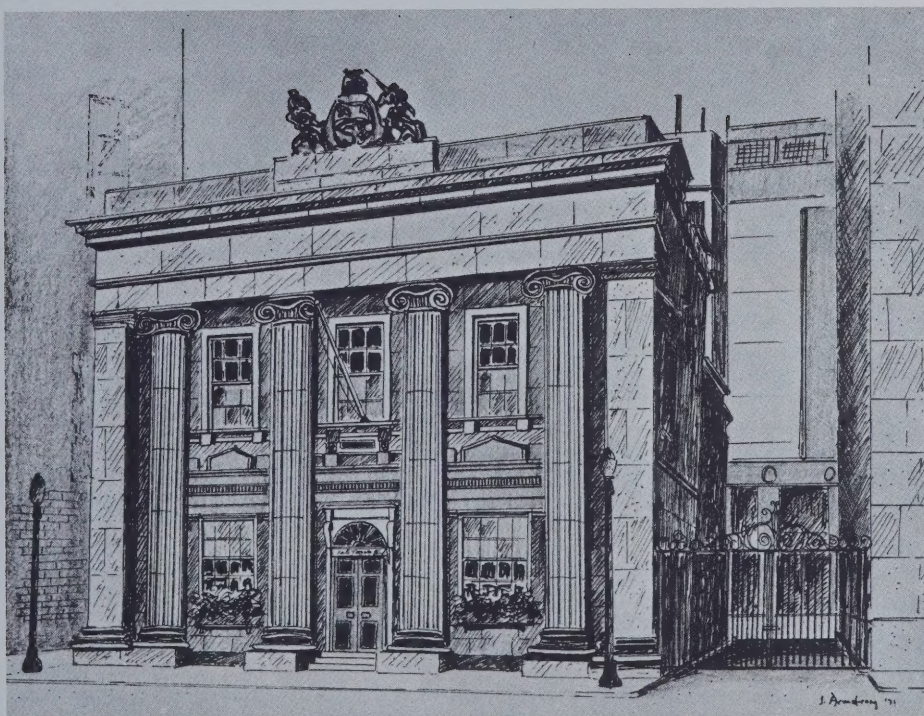


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ARGUS CORPORATION LIMITED

34th Annual Report

NOVEMBER 30, 1979



No. 10 Toronto Street

This historic building in Toronto, Canada, constructed in 1852, was acquired by Argus Corporation Limited as its head office in 1959. The architects were Messrs. Cumberland and Storm.

Board of Directors

DOUGLAS G. BASSETT	Toronto	JOHN R. FINLAY	Toronto
*CONRAD M. BLACK	Toronto	*H. N. R. JACKMAN	Toronto
*G. MONTEGU BLACK	Toronto	H. T. MCCURDY	Toronto
THOMAS G. BOLTON	Toronto	D. A. MCINTOSH, Q.C.	Toronto
*DIXON S. CHANT	Toronto	*F. DAVID RADLER	Vancouver
GLEN W. DAVIS	Toronto	RONALD T. RILEY	Montreal
*FREDRIK S. EATON	Toronto	TRUMBULL WARREN	Hamilton
HARRY H. EDMISON	Toronto	PETER G. WHITE	London, Ont.

*Members of the Executive Committee

Officers

<i>Chairman of the Board</i>	CONRAD M. BLACK
<i>President and Chief Executive Officer</i>	G. MONTEGU BLACK
<i>Executive Vice-President</i>	DIXON S. CHANT
<i>Vice-Presidents</i>	FREDRIK S. EATON H. N. R. JACKMAN F. DAVID RADLER
<i>Secretary</i>	HARRY H. EDMISON
<i>Treasurer</i>	WENDELL F. WHITE, C.A.

ARGUS CORPORATION LIMITED

10 TORONTO STREET, TORONTO, CANADA M5C 2B7

Annual Report

TO THE SHAREHOLDERS OF
ARGUS CORPORATION LIMITED

December 27, 1979.

Your directors present the balance sheet of the Corporation as at November 30, 1979 and the statements of income and expenses and changes in the financial position for the year ended on that date. Also shown are comparative figures for the previous year.

The balance sheet shows the Corporation's major investments carried at market values. Provision has been made for deferred income taxes payable under the hypothetical assumption that such investments were sold at market prices prevailing on November 30, 1979, and on November 30, 1978 for the comparative statement. In our opinion, such a provision is not a definitive figure. Unrealized gain on such investments is estimated at \$50,932,712 at November 30, 1979 and \$78,619,346 at November 30, 1978.

As at November 30, 1979, the net asset value of each of the Corporation's Class C shares and common shares was \$11.90, before providing for the deferred income taxes on capital gains referred to above. Such taxes, if applicable, would amount to approximately 9¢ per share. The comparable net asset value of each Class C and common share at November 30, 1978 was \$21.20 and the comparable deferred income taxes on that date were 72¢ per share. The reduction in the year-to-year net asset value was due entirely to the special dividends of \$10 per share paid to the Class C and common shareholders last July. Such dividends were paid in cash or at the option of shareholders (other than residents of the United States) in Class A shares of Hollinger Argus Limited (formerly Hollinger Mines Limited).

In addition to the net gain referred to in the semi-annual report of \$31,022,630 on the sale of the Corporation's holdings of Domtar Inc. common shares in December, 1978, a net gain of \$7,625,861 was realized on the disposition of the Corporation's Hollinger shares either by way of special dividends or on the sale to The Ravelston Corporation Limited of 1,722,990 Class A shares of Hollinger, which were not distributed to the other shareholders as special dividends.

Income from investments during the year amounted to \$9,035,032 compared to \$10,870,444 for the previous year. Expenses were \$1,030,921 compared to \$457,020. More than half the increase in expenses incurred during the past year resulted from necessary renovations and refurbishing at the Corporation's offices at 10 Toronto Street. These outlays represented the only major expenditure on the Corporation's headquarters since the property was acquired in 1959. Net income amounted to \$7,169,711 compared to \$10,155,224 for the year ended November 30, 1978 (67.3¢ compared with \$1.02 per Class C and common share). The contraction of investment income in 1979 from the previous year was attributable largely to the sale of the Corporation's Domtar holdings, the special dividend payments and the disposal of the Hollinger shares noted above.

In addition to the regular dividends on the Corporation's Class A and Class B Preference Shares, dividends totalling 80¢ per share were paid on the Class C and the common shares during the year along with the \$10.00 per share special dividends paid on July 31, 1979. At its meeting in September, 1979, your Board of Directors reduced the annual dividend rate on the Corporation's Class C and common shares from 80¢ per share to 20¢ per share commencing with the December, 1979 quarterly payments. Such reductions followed upon lower current and projected income levels resulting from the disposal of the Hollinger holdings.

In the six months period ended November 30, 1979, 627,000 common shares of Dominion Stores Limited were purchased and a further 32,000 shares were purchased in December, 1979. These purchases increased your Corporation's holdings in that company to 3,237,300 shares or 37.8% of such shares outstanding. The Corporation also acquired 193,500 shares of Standard Broadcasting Corporation Limited, increasing its holdings in that company to 2,880,975 shares or 51% of the shares outstanding.

Since November 30, 1978, 2,762 Class A Preference Shares \$2.50 Series and 3,766 Class A Preference Shares \$2.60 Series were purchased and cancelled.

Your Board of Directors records with sadness the death in October, 1979 of Mr. H. J. Carmichael, C.M.G., who had been a director of your Corporation since its inception in 1945. His contribution to the Corporation over this lengthy period will be gratefully remembered.

Earlier this month, Messrs. Ronald T. Riley and Peter G. White were elected to the Board of Directors to fill the vacancies resulting from the death of Mr. Carmichael and the recent retirement of Mr. James R. Wright. Mr. Riley is Vice-President, Administration, Canadian Pacific Limited and Mr. White is Executive Vice-President, Western Dominion Investment Company Limited.

Mr. James R. Wright retired as Treasurer of the Corporation in October, 1979 after outstanding service to Argus and its affiliated companies over a 33-year period.

Shareholders, on request, will receive copies of the annual reports of the companies which comprise the Corporation's major investments.

Submitted on behalf of the Board,
CONRAD M. BLACK,
Chairman of the Board.

G. MONTEGU BLACK,
President.

ARGUS CORPORATION LIMITED

Balance Sheet—NOVEMBER 30, 1979

(with comparative figures at November 30, 1978)

ASSETS		1979	1978
INVESTMENTS:			
Securities having a quoted market value, at market (Note 1)		\$122,209,734	\$207,514,157
Cost—			
November 30, 1979—\$70,476,081			
November 30, 1978—\$122,740,424			
Securities not having a quoted market value, at cost (Note 1)		2,298,952	—
CASH		57,002	81,109
SHORT-TERM DEPOSITS, at cost plus accrued interest.		11,503,768	1,408,405
CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES.		545,500	533,800
OTHER ASSETS		455,061	335,463
HEAD OFFICE PREMISES (No. 10 Toronto Street):			
Land, building and furnishings, at nominal value		1	1
		<u>\$137,070,018</u>	<u>\$209,872,935</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
DIVIDENDS PAYABLE	\$	423,179	\$ 1,692,715
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		250,933	683,684
INCOME AND CAPITAL TAXES PAYABLE		7,949,856	2,082
DEFERRED INCOME TAXES (Note 1)		800,941	6,154,387
SHAREHOLDERS' EQUITY:			
Capital stock (Note 2)—			
Number of shares			
Authorized	Issued		
254,098		Class A Preference—	
	94,366	\$2.50 Series, cumulative	4,718,300
	159,732	\$2.60 Series, cumulative	7,986,600
1,000,000		Class B Preference—	
	300,000	Cumulative, 1962 Series, \$2.70 dividend	15,000,000
6,770,944	6,770,944	Class C Participating Non-Voting Preference	45,343,129
10,000,000	1,692,736	Common.	11,335,782
			<u>84,383,811</u>
Contributed surplus, realized on purchase for cancellation of preference shares (including \$107,352 arising during the year ended November 30, 1979)		1,371,234	1,263,882
Earned surplus (deficit)		(9,042,648)	36,746,628
Unrealized gain on investments		50,932,712	78,619,346
		<u>127,645,109</u>	<u>201,340,067</u>
		<u>\$137,070,018</u>	<u>\$209,872,935</u>

APPROVED BY THE BOARD:

CONRAD M. BLACK, Director

G. MONTEGU BLACK, Director

ARGUS CORPORATION LIMITED

Statement of Investments—AS AT NOVEMBER 30, 1979

(with comparative figures as at November 30, 1978)

1979					1978	
Class of shares	Number of shares	Percentage of outstanding shares	Indicated market value	(Note 1)	Number of shares	Indicated market value
						(Note 1)
Securities having a quoted market value:						
Dominion Stores Limited	Common	3,205,300	37.4%	\$ 60,099,375	2,230,500	\$ 37,082,063
Domtar Inc.	Common	—	—	—	2,500,000	55,625,000
Hollinger Mines Limited	Class A					
	Common	—	—	—	1,404,000	51,948,000
Massey-Ferguson Limited	Common	3,000,000	16.4%	31,500,000	3,000,000	32,625,000
Standard Broadcasting Corporation Limited	Common	2,880,975	51.0%	30,610,359	2,687,475	30,234,094
				<u>\$122,209,734</u>		<u>\$207,514,157</u>
Securities not having a quoted market value				<u>\$ 2,298,952</u>		<u>\$ —</u>

NOTES TO FINANCIAL STATEMENTS

November 30, 1979

1. SUMMARY OF ACCOUNTING POLICIES:

Investments—

The investments having a quoted market value are carried in the balance sheet at market values which are determined by pricing the holdings in each security at the closing quoted market prices as at November 30. Such amounts do not necessarily represent the value of entire blocks which may be more or less than that indicated by market quotations.

Investments not having a quoted market value are carried at cost.

Deferred income taxes—

Provision has been made for deferred income taxes that would be payable if the investments had been realized on November 30 at the indicated quoted market value on that date.

Dividend income—

Dividend income is recognized in the statement of income and expenses on a cash received basis.

Head office premises—

Head office premises are carried at nominal value and all capital additions are charged to expense as incurred.

2. CAPITAL STOCK:

(a) The Class A and Class B preference shares have a par value of \$50 each and are issuable in series; the Class C preference shares and the common shares are without par value.

The issued Class A and Class B preference shares carry cumulative dividends and are redeemable at the option of the Corporation at \$52.50 per share and accrued dividends.

The Class C preference shares, subject to the prior rights of the Class A and Class B preference shares, participate equally with the common shares in (i) any dividends paid in any fiscal year after \$.30 per share has been paid on each Class C preference share and common share and (ii) any distribution of assets.

(b) During the year ended November 30, 1979, 2,762 Class A preference shares \$2.50 series and 3,766 Class A preference shares \$2.60 series were purchased and cancelled.

3. HOLLINGER MINES LIMITED INVESTMENT:

Class C preference and common shareholders of record July 14, 1979 received on July 31, 1979 special dividends of \$10 per share. Holders (apart from residents of the United States) were given the option of receiving such dividends in Class A common shares of Hollinger Mines Limited (now Hollinger Argus Limited) on the basis of one Hollinger share for each four Class C or common shares held. The consideration for these special dividends was as follows:

332,056 Class A shares of Hollinger Mines Limited	\$13,282,240
Cash	<u>71,353,560</u>
	<u>\$84,635,800</u>

The balance of the Corporation's holdings of Class A shares of Hollinger Mines Limited (1,722,990 shares) was sold on July 30, 1979 to The Ravelston Corporation Limited at a price of \$40 per share.

4. CONTINGENT LIABILITY:

The Corporation previously had arrangements with certain shareholders of Hollinger Argus Limited (formerly Hollinger Mines Limited) regarding first refusal rights to purchase shares of that company. Certain of such shareholders have the right to put shares of Hollinger Argus Limited to the Corporation. These arrangements have been taken over by The Ravelston Corporation Limited which has agreed to assume and indemnify the Corporation against all obligations under such arrangements, including the aggregate contingent liability of the Corporation approximating \$28,690,000 as at November 30, 1979, which amount is subject to escalation under certain circumstances.

ARGUS CORPORATION LIMITED

Statement of Income and Expenses—FOR THE YEAR ENDED NOVEMBER 30, 1979

(with comparative figures for the year ended November 30, 1978)

	1979	1978
Income:		
Dividends received	\$ 6,391,875	\$ 9,873,884
Interest earned	2,643,157	996,560
	<u>9,035,032</u>	<u>10,870,444</u>
Expenses:		
Salaries of officers and employees	213,167	105,625
Directors' fees	15,333	23,337
Transfer agents' and registrars' fees and expenses	58,599	42,852
General office and administrative expenses	403,951	285,206
Renovations expenses	339,871	—
	<u>1,030,921</u>	<u>457,020</u>
Income before income taxes	8,004,111	10,413,424
Income taxes	834,400	258,200
Net income for the year	<u>\$ 7,169,711</u>	<u>\$10,155,224</u>
Earnings per Class C preference and common share	<u>\$.67</u>	<u>\$1.02</u>

Statement of Changes in Financial Position—FOR THE YEAR ENDED NOVEMBER 30, 1979

(with comparative figures for the year ended November 30, 1978)

	1979	1978
Cash in banks and short-term deposits at beginning of year	\$ 1,489,514	\$14,942,085
Source of funds:		
Net income for the year	7,169,711	10,155,224
Proceeds from sale of investments, less income taxes	129,009,635	—
Increase in income and capital taxes payable	7,947,774	—
Increase in accounts payable and accrued liabilities	—	658,671
	<u>\$145,616,634</u>	<u>\$25,755,980</u>
Application of funds:		
Purchase of investments	\$ 53,677,993	\$15,551,391
Dividends paid in cash	78,325,238	8,257,890
Purchase for cancellation of Class A preference shares	219,048	238,927
Decrease in income and capital taxes payable	—	6,447
Decrease in dividends payable	1,269,536	—
Decrease in accounts payable and accrued liabilities	432,751	—
Other	131,298	211,811
	<u>134,055,864</u>	<u>24,266,466</u>
Cash in banks and short-term deposits at end of year	<u>11,560,770</u>	<u>1,489,514</u>
	<u>\$145,616,634</u>	<u>\$25,755,980</u>

ARGUS CORPORATION LIMITED

Statement of Earned Surplus (Deficit)—FOR THE YEAR ENDED NOVEMBER 30, 1979 (with comparative figures for the year ended November 30, 1978)

	1979	1978
Earned surplus at beginning of year	\$ 36,746,628	\$ 64,472,174
Net income for the year	7,169,711	10,155,224
Gain on disposal of investments, less income taxes thereon of \$7,385,206	38,648,491	—
	82,564,830	74,627,398
Earned surplus capitalized	—	29,622,880
	82,564,830	45,004,518
Dividends:		
Class A Preference Shares \$2.50 Series	238,962	247,025
Class A Preference Shares \$2.60 Series	421,381	429,999
Class B Preference Shares 1962 Series	810,008	810,008
Class C Participating Preference Shares		
Regular	4,401,062	5,416,686
Special (Note 3)	67,708,640	—
Common Shares		
Regular	1,100,265	1,354,172
Special (Note 3)	16,927,160	—
	91,607,478	8,257,890
Earned surplus (deficit) at end of year	<u>\$ (9,042,648)</u>	<u>\$ 36,746,628</u>

Statement of Unrealized Gain on Investments—FOR THE YEAR ENDED NOVEMBER 30, 1979 (with comparative figures for the year ended November 30, 1978)

	1979	1978
Balance at beginning of year	\$ 78,619,346	\$ 68,663,674
Increase (decrease) in unrealized gain on investments	(33,040,080)	11,390,825
Decrease (increase) in deferred income taxes	5,353,446	(1,435,153)
Balance at end of year	<u>\$ 50,932,712</u>	<u>\$ 78,619,346</u>

AUDITORS' REPORT

To the Shareholders of

ARGUS CORPORATION LIMITED:

We have examined the balance sheet and the statement of investments of Argus Corporation Limited as at November 30, 1979 and the statements of earned surplus (deficit), unrealized gain on investments, income and expenses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at November 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, December 18, 1979

PRICE WATERHOUSE & Co.

Chartered Accountants

